

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-595

August 4, 1998

LINCOLNVILLE COMMUNICATIONS, INC.
Application for Approval of Issuance
of Securities and Mortgage of Property

ORDER

WELCH, Chairman; NUGENT, Commissioner

In this Order I approve the application of Lincolnvillle Communication, Inc. ("LCI" or "Lincolnvillle") to enter into a loan agreement and to issue a mortgage of LCI's assets as security for the loan, to the extent such approval is required under 35-A M.R.S.A. §§ 901-02 and § 1101. LCI also asked that the Commission issue a Protective Order for all of the terms of the financing arrangement, and the Protective Order is being issued contemporaneously with this Order.

LCI is a wholly-owned subsidiary of Lincolnvillle Telephone Company, a regulated public utility providing local exchange service in Lincolnvillle and portions of several surrounding towns. LCI was originally formed to provide cable television service in Lincolnvillle and several other towns, but in an Order dated September 30, 1997 in Docket 97-401, the Commission granted LCI the authority to provide intralata interexchange service and to provide competitive local exchange carrier ("CLEC") service in Maine. In order to actually engage in such public utility activity, LCI would have to enter into the appropriate resale and/or interconnection agreements with other carriers and would need to have tariffs approved by the Commission. To date LCI asserts that it has not engaged in the provision of any competitive telecommunications services as a public utility.

On July 31, 1998, LCI filed with the Commission an Application for Approval of Issuance of Securities and Mortgage of Assets. It amended its Application on August 4, 1998. LCI proposes to borrow money in order to undertake a non-public utility project and to pledge, inter alia, the assets of LCI as collateral for the loan. A term sheet describing the terms and conditions of the proposed borrowing was included with financing application. Because the term sheet is subject to the Protective Order, the terms and conditions will not be described herein, but the use of the proceeds meets the requirements of Section 901. In its application, LCI stated that it was not sure whether the borrowing of money and mortgaging of assets required Commission approval, because to date LCI has not engaged in any public utility activity, and the purpose for which LCI intends to use

the proceeds of the loan is not public utility activity. Notwithstanding that uncertainty, LCI requests that the Commission or its designee grant approval of the financing transaction "in order to provide certainty regarding the regulatory status of the financing and to avoid unnecessary issues in the future." Application at page 2. The approval of the instant financing is made with the understanding that some legal uncertainty exists as to the necessity of such approval.

The lender is an organization for whom the Commission, pursuant to an Amended Delegation Order dated January 9, 1996, in Docket 96-401, delegated to the Director of Finance its authority under 35-A M.R.S.A., Chapters 9 and 11, to approve telecommunications utility applications for financings. The approval of the Director of Finance shall be in the form of an Order, copies of which shall be maintained in the files of the office of the Administrative Director.

Having reviewed the instant application, I find that the proceeds of the proposed financing are required in good faith for the purposes enumerated in 35-A M.R.S.A. §901, that the proposed financing is not adverse to the public interest, given that LCI will not be engaging in public utility activity and that to the extent required by Maine statute, the proposed financing should be approved.

Accordingly, I

O R D E R

That Lincolnville Communication, Inc. is authorized to enter into a borrowing agreement and issue a mortgage as security for the loan, according to the terms and conditions as are generally described in LCI's confidential term sheet submitted with its application to issue securities.

Dated at Augusta, Maine this 4th day of August, 1998.

BY ORDER OF THE ACTING DIRECTOR OF FINANCE

Richard M. Kania
Acting Director of Finance